

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00  
PA-01 USIA-06 PRS-01 SP-02 AID-05 COME-00 EB-07  
FRB-03 XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01  
/060 W

-----027991 020514Z /10

R 011836Z JUL 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 3260

INFO TREASURY WASHDC

ALL USCONS MEXICO (BY POUCH)

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E.O. 11652: N/A

TAGS: ELAB, MX

SUBJECT: CTM FREES AFFILIATE UNIONS FROM TEN PERCENT  
WAGE HIKE LIMITATIONS

1. SEVERAL MEXICO CITY DAILIES JUNE 29-30 HAVE HEAD-  
LINED PLEDGE FROM CTM KINGPIN FIDEL VELASQUEZ THAT LABOR  
WILL CONTINUE TO HONOR ITS "TRUCE" WITH PRESIDENT LOPEZ  
PORTILLO TO HOLD WAGE INCREASES WITHIN THE 10 PERCENT  
LIMITATIONS ESTABLISHED IN DECEMBER 1976, BUT TEXTS OF  
SEVERAL NEWS ACCOUNTS BELIE THE PROMISE. VELASQUEZ IS  
QUOTED AS ADMITTING THAT THE CTM EXECUTIVE BOARD NEVER  
DISCUSSED, APPROVED OR DISAPPROVED THE 10 PERCENT WAGE  
LIMITATION DURING ITS JUNE 27-29 SESSIONS. HE SAID  
"THEY FIXED NO (MAXIMUM) FIGURE (FOR WAGE INCREASES) BUT  
THAT EACH AFFILIATE UNION HAS UNLIMITED LIBERTY TO  
NEGOTIATE AND OBTAIN WAGE INCREASES IN ACCORDANCE WITH THE  
ECONOMIC CAPACITY OF THEIR (RESPECTIVE) ENTERPRISE". HE  
ADDED THAT "OUR AFFILIATES CAN COUNT ON CTM ASSISTANCE  
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(IN THESE EFFORTS) IF THEIR DEMANDS ARE MODERATE".  
DEPENDING ON HOW "MODERATE" IS DEFINED, THIS DECISION  
COULD DO SERIOUS DAMAGE TO THE ECONOMIC STABILIZATION  
EFFORTS.

2. TWO MEMBERS OF THE CTM EXECUTIVE BOARD WHO ATTENDED  
ALL THREE DAYS OF THE CLOSED SESSIONS CONFIRMED THE

ABOVE ACCOUNT TO THE LABATT. EACH AFFILIATE IS FREE TO NEGOTIATE FOR "AS MUCH AS THE TRAFFIC WILL BEAR" WHILE MAINTAINING THE PUBLIC PLEDGE FOR MODERATION. BOTH LABOR LEADERS INDICATED THAT THE DECISION WAS INEVITABLE, GIVEN THE PRESSURES WHICH ARE BUILDING FROM THEIR MEMBERSHIPS (THE CPI INCREASED 9.9 PERCENT FROM DECEMBER THROUGH MAY WHILE WHOLESALE PRICES INCREASED BY 11 PERCENT FOR THE SAME PERIOD). VELASQUEZ REPORTEDLY OFFERED ONLY TOKEN OPPOSITION TO THE POLICY. ONE OF THE TWO LEADERS CONFIDED THAT THE CONGRESS OF LABOR (WHICH ENCOMPASSES 95 PERCENT OF ORGANIZED LABOR) WILL MEET IN CLOSED SESSION JUNE 30 AND "MOST PROBABLY DUPLICATE THE CTM ACTION".

3. COMMENT: IT APPEARS THAT FOR ALL PRACTICAL PURPOSES THE JLP-LABOR PACT HOLDING WAGES TO 10 PERCENT INCREASES IS DEAD. OFICIALISTA LABOR APPARENTLY INTENDS TO PRESERVE THE ILLUSION OF THEIR SUPPORT FOR JLP'S "ALLIANCE FOR PRODUCTION" THROUGH THEIR PUBLIC UTTERANCES AND AS QUIETLY AS POSSIBLE NEGOTIATE FOR THE MAXIMUM IN PRACTICE. THE GOM HAS NOT PUBLICLY REACTED TO THE NEW POLICY OTHER THAN BY ACCENTUATING THE POSITIVE PLEDGES OF VELASQUEZ AND BURYING ACCOUNTS OF THE NEW CTM POLICY IN THE FRIENDLY NEWS MEDIA. THOMPSON

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**Disposition Date:** 22 May 2009  
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